



Images], Kate Ferguson, Blackmores Naturopath, Michelle Guillemard, Blackmores Institute and Lorraine McCorkindale Blackmores Quality Assurance

## KEY POINTS

- Quarterly group sales \$84 million, in line with the previous corresponding period
- \$5.4 million first quarter net profit after tax, down 31%
- Australian retail market remains highly challenging
- Asia and BioCeuticals continue to contribute strong profitable growth
- Two new Non-Executive Directors announced with strong operational and marketing experience
- Strengthened management, including new Managing Director for Australia & New Zealand

### Dear Shareholder,

Blackmores Limited (ASX: BKL) today reported group sales of \$84 million, down 1% compared to the previous corresponding period. Profit after tax was \$5.4million, down 31%.

Challenges in the Australian retail market continue. Our Australian retail sales are down 7% compared to our record quarter the previous year. Pricing pressure has undoubtedly intensified as many of our competitors face financial restructuring or sale. This, in addition to a significant slowdown in the category, destocking by retail customers and the continued growth of a major discount pharmacy whilst community pharmacies and health food stores are declining, adds to the challenges.

Blackmores is responding to these changing market dynamics with a renewed focus in Australia. Stronger brand marketing, investments in the Blackmores Institute, a refreshed Board, strengthened management and a review of our cost structure will enable us to adapt to a market which will have lower margins going forward than we have previously had.

Blackmores has announced the appointment of David Fenlon as Managing Director for Australia and New Zealand. David, who has been advising the company since March, brings strong retail experience and a deep understanding of both grocery and smaller retail customers. Mr Fenlon has held leadership positions with Tesco in Europe and Safeway in the UK and here in Australia led Red Group.

Our focus on building new platforms for profitable growth is helping to offset the exposure of the difficult market trading conditions experienced in Australia. Our business in Asia grew sales by 19% and BioCeuticals, our practitioner branded business, grew sales by 7%.

The fall in the Australian dollar has resulted in an increased cost of our raw materials. The natural hedge arising from the growth of our Asian businesses has not fully offset this increase, as our core contributors, the Thai baht and the Malaysian ringgit, have depreciated against the US dollar.

Lower sales in Australia, coupled with the effect of the weaker Australian dollar, impacted our Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which fell by 24% to \$10.3m.

### BOARD DIRECTORSHIP CHANGES

Today, our long-standing Director Bob Stovold officially retires after what can only be described as an outstanding contribution to Blackmores over many years. Bob's resignation has prompted a 'refreshing' of the Board and we are particularly pleased to announce the appointment of two new Board Directors. Helen Nash has had a stellar career in operations and marketing, complemented with experience in the Australian retail market, while David Ansell brings a wealth of experience in leading brands in a number of international markets.

### OUTLOOK

Blackmores remains a strong company, the Australian retail business faces margin pressure as the market dynamics continue to change. This pressure has highlighted the importance of executing on our strategic priorities to transform Blackmores for the future. These include:

- supporting our Australian business whilst building our consumer brand;
- investing in Asia and BioCeuticals for further profitable growth;
- continuing to improve operational excellence and transform our cost profile going forward; and
- simplifying our organisation and aligning resources closer to our customers.

Asia and BioCeuticals represents a significant and increasing part of our business and we anticipate further profitable growth in the coming year.

We strongly believe in the overall prospects for Blackmores, adapting the company to meeting the market dynamics is well underway, acknowledging it takes time to build the platforms for growth.

We are improving momentum in the market but feel it is too early to predict profit for the full year. Through our quarterly reporting we will ensure our investors are kept updated on developments.

Yours faithfully



**CHRISTINE HOLGATE, CHIEF EXECUTIVE OFFICER**

### INVESTOR CONTACT

Adrian Sturrock, Investor Relations Manager (P: 61 2 9910 5373)

### RESULTS AT A GLANCE – QUARTER ENDED 30 SEPTEMBER 2013

Results (\$000s) (FIRST QUARTER)	This Year	Last Year	% Change
Sales	84,013	85,095	-1.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	10,286	13,478	-23.7%
Earnings before interest and tax (EBIT)	8,778	12,041	-27.1%
Net interest expense	1,248	1,126	10.8%
Profit before tax	7,530	10,915	-31.0%
Income tax expense	2,154	3,137	-31.3%
Profit for the period	5,377	7,779	-30.9%